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**FOR THE RECORD**  
June 12, 2013

Chairman Nunes, Ranking Member Rangel, and distinguished Members of the Trade Subcommittee - my name is John Faraci and I am Chairman and CEO of International Paper.

Thank you for the opportunity to provide this statement on behalf of International Paper and the U.S. - Brazil CEO Forum. Brazil is a growing market for International Paper and very important to our company's future plans. The U.S. - Brazil CEO Forum, in my view, is a way for me to demonstrate our strong interest in Brazil and its future economic development.

The U.S. - Brazil CEO Forum was created in 2007 by U.S. President Bush and Brazilian President Lula. This initiative was driven in large part by then Brazilian Chief of Staff Dilma Rousseff to create a model for linking the countries together by building CEO networks to foster relationships between our two countries. It is chartered by the governments of both countries.

The U.S. and Brazilian governments charged the Forum with developing a roadmap to increase partnerships between the governments and the private sector and to removing economic impediments. The U.S. - Brazil CEO Forum is successful because it exemplifies how CEOs can create a public-private partnership where governments and the corporate sector work together to strengthen our economic relationship. The opportunity to exchange views between the U.S. and Brazilian CEOs and our governments is critical to improving and advancing the bilateral commercial relationship.

The Forum is comprised of 12 Brazilian CEOs and 12 U.S. CEOs and is chaired jointly by a CEO from each nation and two government representatives from each country. The CEOs have met eight times since 2007. I have served on the Forum since its inception and as the Chair of the U.S. section since 2011. A list of the current Forum appointees is attached.

Following the conclusion of each meeting, the CEO Forum submits its recommendations on areas where the governments can improve the competitive integration of the two economies. To date we have seen the governments take positive steps to:

- Complete the Agreement on Trade and Economic Cooperation (ATEC) and the Open Skies Agreement;
- Launch the Strategic Energy Dialogue;
- Identify a path forward on resolving the cotton dispute;
- Make progress on the Global Entry Program;
- Continue discussions on a Bilateral Tax Treaty;
- Launch the Logistics Investment Program;

- Support the continuity of Brazil's "Science Mobility Program" and the United States' "100,000 Strong in the Americas" initiative;
- Institute the "Differential Regime of Contracting" program; and
- Allow the import surcharge for ethanol to expire.

The most recent Forum meeting took place March, 2013 in Brasilia at which the CEOs developed an ambitious list of priorities focusing on trade and investment, education and innovation, and cooperation in aviation, energy and infrastructure. The Recommendations and Priorities documents of the U.S. - Brazil CEO Forum are attached for your review. They include the CEO's request for both governments to prioritize work on the following:

- Initiate negotiations on a Bilateral Tax Treaty in 2013;
- Accelerate work on a U.S. – Brazil Agreement on Trade and Economic Cooperation (ATEC) and have the Presidents review the work on a biannual basis;
- Pursue an expedited intellectual property regime to drive innovation – noting the need for both governments to streamline the patent review process;
- Use the Aviation Partnership as a model for progress in other economic sectors;
- Continue to call for the involvement of the private sector in the energy dialogue and encourage the consideration of a "Bio-based Innovation Center" to expand work toward creation of a bio-economy;
- Immediately complete a reciprocal Global Entry Program.

The next CEO Forum meeting will be held in conjunction with the state visit of President Rousseff to Washington in late October. We are coordinating with the governments to ensure progress is made on these priorities.

International Paper is a global paper and packaging company with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Our businesses include uncoated papers and industrial and consumer packaging, complemented by xpedx, the company's North American distribution company. International Paper is headquartered in Memphis, Tennessee, and employs about 70,000 people in more than 24 countries that serve customers worldwide.

In 2012, International Paper exported 23 percent of the products we manufactured in the U.S. to customers around the world. We imported less than 0.001 percent of our production made at our global operations back into the United States. Approximately 8,700 International Paper jobs in the U.S. are linked to our total exports and roughly 4,600 small and medium suppliers to International Paper are also linked to trade. In 2012, our net sales were approximately \$28 billion.

International Paper acquired manufacturing assets in Brazil in 2000 to create International Paper do Brasil which is headquartered in São Paulo. Since 2000, International Paper has invested over \$3 billion in Brazil. Our manufacturing facilities include two pulp and paper mills and a paper mill. Together, the three mills produce one million tons of paper that is sold in Brazil, elsewhere in Latin America and to global markets.

In 2013, International Paper increased its investment in Brazil by finalizing a transaction with Grupo Orsa to form Orsa International Paper Embalagens S.A. International Paper holds a 75 percent stake in this entity which includes three containerboard mills and four box plants.

The company has 5,400 employees in Brazil and grossed over \$1 billion in 2012 net sales. The sustainable, abundant fiber supply, coupled with low production costs, provide IP the ability to serve the expanding Brazilian and South American markets.

In summary, the past and future success of the U.S. - Brazil CEO Forum hinges on the CEO's forward-leaning joint recommendations to their governments to advance the bilateral commercial relationship. The exchange of views between the CEOs on how to grow the bilateral economic cooperation between our two countries is both important and constructive. The Forum sustains a meaningful and outcome-oriented dialogue on trade and economic growth issues. The Forum has helped both governments move closer on many important bilateral commercial issues. It is the view of the U.S. - Brazil CEO Forum that we have great opportunities on the horizon to transform the bilateral relationship into a vibrant economic partnership. Thank you.

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## **U.S.-Brazil CEO Forum Participants 2011-2013**

### **U.S. Section**

Andres Gluski, President and CEO (AES Corporation)

John Melo, CEO (Amyris, Inc.)

Gregory Page, Chairman & CEO (Cargill)

Lee McIntire, Chairman & CEO (CH2M HILL)

\*John Faraci, Chairman & CEO (International Paper)

Kenneth Frazier, CEO (Merck)

Steve Angel, Chairman, President & CEO (Praxair, Inc.)

Deepak Chopra, CEO (OSI Systems, Inc.)

Keith Nosbusch, Chairman and CEO (Rockwell Automation)

Mary Andringa, President and CEO (Vermeer Corporation)

\*John Faraci, Chairman and CEO (International Paper) chairs the Forum for the U.S. Section

### **Brazil Section**

Otávio Marques de Azevedo, CEO (Andrade Gutierrez)

Carlos Alberto Vieira, (President) (Banco Safra S.A.)

Luiz Roberto Nascimento, Vice Chairman of the Board (Camargo Corrêa S.A.)

\*Josué Christiano Gomes da Silva, Chairman and CEO (Coteminas S.A.)

Frederico Fleury Curado, President and CEO (Embraer)

Jorge Gerdau Johannpeter, Chairman of the Board of Directors (Grupo Gerdau)

Marcelo Odebrecht, Chairman & CEO (of Engineering and Construction) (Odebrecht S.A.)

Marco Antonio Stefanini, Founder and President (Stefanini IT Solutions)

José Luís Cutrale, CEO (Sucocítrico Cutrale Ltda)

David Feffer, Chairman (Suzano Group)

Murilo Ferreira, CEO (Vale)

José Roberto Ermírio de Moraes, CEO (Votorantim Participações S.A.)

\* Josué Christiano Gomes da Silva, Chairman and CEO (Coteminas S.A.) chairs the Forum for the Brazilian Section

U.S. – BRAZIL CEO FORUM – VIII MEETING  
MARCH 19, 2013  
PRIORITIES LIST

At the eighth meeting of the U.S. – Brazil CEO Forum on March 19, 2013, the CEO's agreed to establish a list of priorities for the next two years. The CEO's also agreed to meet next in the U.S. during the fourth quarter of 2013 and recommended that a preparatory meeting of Forum company staff take place in the third quarter.

#### TAX AND INVESTMENT

The Forum calls on both governments to build on the recent progress in the area of tax by announcing a 2013 date to initiate negotiations on a Bilateral Tax Treaty (BTT) and to agree on a specific set of milestones toward timely completion.

The Forum calls on the governments to accelerate the work of the U.S. – Brazil Agreement on Trade and Economic Cooperation (ATEC) to further advance trade liberalization especially in the areas of procurement and localized barriers to trade. The Forum recommends that the ATEC establish an ambitious work plan with set objectives and a calendar of meetings among officials.

The CEO's recommend the ATEC be placed under the bi-annual review of the Presidents to ensure progress is aligned and transparent.

#### EDUCATION AND INNOVATION

The Forum renews its commitment to higher education in the Science, Technology, Environment, and Math (STEM) fields and will continue to support the "Scientific Mobility Program" and the "100,000 Strong in the Americas" initiatives. The CEO's support efforts to help Brazilian students study and intern in the U.S. and for U.S. students study and intern in Brazil.

The Forum calls upon the governments to pursue an expedited intellectual property regime to drive innovation. The CEO's call for the U.S. Patent and Trademark Office (USPTO) and Brazil's National Institute of Industrial Property (INPI) to enter into a formal work-sharing agreement that will streamline the patent review and examination process between both countries.

The CEO's committed to providing technical support to the Brazilian government's "Projeto Rede Cegonha" (Stork Network) program to provide health care to pregnant women and infants. The CEO's cited the role of private sector collaboration to reduce maternal mortality.

The CEO's highlight the importance innovation has for both our countries competitiveness. In that regard, the CEO's encourage both governments to discuss mechanisms for sharing knowledge in technology intensive sectors such as information technology and biosciences.

#### COOPERATION IN AVIATION

The Forum calls upon the governments to continue the expedited work plan under the Aviation Partnership Agreement and to use the partnership as a model for progress in other economic sectors.

The CEO's recommend the governments advance the implementation of the 13 projects defined in the Action Plan of October 2012, in the fields of: (a) government-to-government cooperation, (b) training and education and (c) integration of supply chains.

Specific projects will include knowledge sharing in aviation security and safety regulations, certification standards that promote supply chain integration, airport efficiency and security for the 2014 World Cup and the 2016 Olympics, among others.

## ENERGY

The Forum continues to call on the governments to involve the private sector in the energy dialogue to facilitate discussion related to technologies and processes that can enhance competitiveness and productivity in all energy sources, and also to foster and develop the use of natural gas and biomaterials between the two countries and in the region.

In the area of natural gas, the CEO's call on both governments to promote the dialogue with the private sector around opportunities for exploring reserves of Brazilian shale gas and its contribution to diversify Brazil's future energy matrix.

The CEO's encourage the consideration of a "Bio-based Innovation Center" to expand work toward the creation of a bio-economy. Both countries have vast renewable resources and considerable potential in technological innovation, which, in many cases, could be developed jointly. The CEO's also recommend the governments review the merits of extending incentives to foster the bio-economy.

## INFRASTRUCTURE

The Forum calls on both governments to advance information sharing and harmonization of procurement policies for contracting public and private infrastructure projects.

The CEO's urge the governments to immediately complete the reciprocal Global Entry Program and to identify a timeframe to launch a formal "Visa Waiver Program for Skilled Professionals" and a "Visa Waiver Program".

### U.S. – BRAZIL CEO FORUM – VIII MEETING MARCH 19, 2013

The Chief Executive Officers that constitute the private sector of the U.S. – Brazil CEO Forum stated their recommendations and priorities at the VIII Meeting of the Forum on March 19th, 2013 in Brasilia and, before the IX Forum Meeting, the CEOs will work with their governmental partners to achieve meaningful results on the areas outlined bellow.

Since the last meeting in Washington, DC, in April 2012, several progresses have been made. The CEOs specifically applauds:

- The launch of the Logistics Investment Program (PIL), which includes projects throughout the country, in highways, railways, ports and airports, with estimated investments of more than R\$ 200 billion and special conditions of long-term financing;
- Approval by Brazil Congress of the Tax Information Exchange Agreement, a necessary step to reach a Bilateral Tax Treaty;
- Withdrawal of U.S. ethanol subsidies program;
- Progress in the reciprocal Global Entry Program;

- Establishment of Brazil's Energy Working Group to materialize private sector participation on in the Bilateral Energy Dialogue;
- The continuity of Brazil's Science Mobility Program and the U.S.'s 100,000 Strong in the Americas initiative and the firm support to students interning at Forum companies; and
- The several meetings of Government officials to discuss the Aviation Partnership.

## TRADE AND INVESTMENT

The Forum participants invite both governments to set a long- term goal of reaching a broader trade and investment liberalization framework.

Brazil and the U.S. supported the Doha negotiations, the ideal setting for the advancement of international trade rules. A positive outcome for the Doha Round seems distant and, as a consequence, a number of bilateral agreements have been implemented or are under negotiation among many of our major trading partners. In addition, the important shifts in trade and investments flows from the Atlantic to the Pacific compel the U.S. and Brazil, the leading economies of the Americas, to seek the construction of a fully integrated economic area within this hemisphere, a robust instrument for jobs and wealth creation, a priority our countries share.

In order to achieve this goal, much should be done to promote and accelerate economic integration preparing the institutions of both nations for a future common market. With intensified goods production through global value chains, harmonization of certification processes of both countries, such as the Cooperation in Aviation Agreement, will spur not only trade between the two countries but also with third markets given the improved competitiveness it can foster for both of them. The CEO Forum reaffirms its support for the completion of a Bilateral Tax Treaty (BTT) as a priority to be sought by both countries. Also, the facilitated movement of people between the two countries, both tourists – via visa waiver - and specialized professionals – with expedited working visa concessions, is a desirable step forward towards a reciprocal better mutual knowledge and understanding.

The U.S. – Brazil's Agreement on Trade and Economic Cooperation (ATEC), an initiative the Forum strongly supported, is an important tool for structuring the bilateral dialogue between the two governments and should be instrumental for advancing the bilateral agenda towards greater trade liberalization. Given the asymmetry between several sectors of our economies, we urge both governments to, along with the respective private sectors, eliminate competitive gaps and structural bottlenecks thus allowing for complete and full trade liberalization in the future.

## EDUCATION AND INNOVATION

The Forum reaffirms its commitment to partnerships between Brazilian and U.S. companies in science and technology, including policies that foster the promotion of science, technology, engineering and math education. Forum companies reiterate their support for the U.S. *100,000 Strong in the Americas* initiative and Brazil's *Scientific Mobility Program*. Brazil CEOs are called upon to welcome U.S. exchange students into their companies. The U.S. companies again commit themselves to support Brazil's *Scientific Mobility Program* and welcome Brazilian exchange students. We call on both governments to continue collaborative efforts to expand the two programs in our respective countries.

The Forum continues to support initiatives that focus on strengthening innovation in both countries, especially in sectors that are essential for economic competitiveness and social well-being. In that



regard, the Forum endorses an initiative of CEO Forum member companies to provide technical support to parts of the Brazilian government's "*Projeto Rede Cegonha*" (Stork Network), a program designed to provide health assistance to pregnant women and infants in Brazil and health investments in general.

The CEO Forum believes that the private sector can collaborate with the government to achieve Millennium Development Goal 5 (MDG 5), namely to reduce Maternal Mortality in Brazil through innovative healthcare solutions aligned with the government's maternal-health program *Rede Cegonha* and to create opportunities for investments in the health sector, involving technologies transfer and innovation.

The Forum suggests the creation of a special Task Group, which in a joint effort with the Ministry of Health will evaluate potential initiatives to help improve the efficiency of public policies established to achieve MDG 5. Promoting pregnancy health and infant health is essential to advancing the educational goals of our two countries.

The Forum fully endorses the efforts of both governments to collaborate in building a strong and efficient intellectual property regime in both countries to drive and support innovation. In that regard, the Forum supports the exchange of best practices between the U.S. Patent Office and INPI and the creation of mechanisms that allow for an efficient sharing of knowledge and incentivize innovation. Innovation is essential to the competitiveness of our two nations in the global economy.

## COOPERATION IN AVIATION

Since the last meeting of the Brazil-U.S. CEO Forum in 2012, Government officials from Brazil and the U.S. have met several times to discuss the implementation of the Aviation Partnership Agreement (APA).

Building on the progress of the Open Skies agreement, the CEO Forum encourages Brazil and the U.S. to expedite the implementation of the Aviation Partnership Action Plan agreed last October in Brasilia.

Brazil and the U.S. can foster significant trade and economic benefits, as well as enhanced cooperation between government agencies, education initiatives and supply chain integration, the three priority areas identified by the APA Coordinating Committee for 2013.

Specific projects will pursue enhanced airport security and safety, as well as increased business between the supply chains of both Nations.

## ENERGY

As our two economies grow, following a devastating global recession, businesses will require more energy. While we must strive to increase energy efficiency and count on the promise of new technologies, it is clear that additional sources of energy will be necessary. With the goal of securing our shared energy future and spurring growth, the U.S.-Brazil CEO Forum would like to highlight two areas for our governments to explore.

First, Brazil could significantly benefit from promoting more intense use of natural gas in order to assure the reliability in power supply in a low cost and emission basis. The U.S. experience with

shale gas fundamentally changed the country's energy outlook, providing a new source for natural gas. Just as it does with offshore oil, Brazil has significant potential deposits of natural gas onshore. The development of these fields, if done in an environmentally careful way, can create jobs and economic growth for years to come.

In addition to collaborating bilaterally on the exchange of experiences – both policy and technical – the CEO Forum recommends that both countries explore how to incentivize the emergence of a vibrant natural gas industry in Brazil.

Second, the Brazilian experience with sugarcane ethanol has been an inspiration to many countries around the world seeking to reduce their dependence on imported fuels.

Technologies related to the use ethanol as fuel (such as flex-fuel engines) illustrate that. The U.S. has also seen its bio-based industry grow significantly thanks not only to strong biofuels policies, but also to targeted initiatives that encourage the creation of what many call the bio-economy, an area where Brazil has a huge potential.

While both countries continue to cooperate across a wide range of biofuel policies and activities, ranging from reducing trade barriers for fuel ethanol to demonstration flights with sustainably produced jet fuels, the Forum recommends a program to speed up the emergence of the bio-economy. We believe it is best to encourage the clean, efficient technologies of tomorrow instead of imposing higher taxes on carbon intensive industries as other countries are considering.

On energy policy, the CEO Forum believes we cannot turn our backs to the energy that has propelled our economies for the past century but also we should incentivize the innovative renewable technologies that will bring us a cleaner, more sustainable future.

## INFRASTRUCTURE

Throughout 2012 the Brazilian Government has evolved on several fronts to encourage and facilitate infrastructure projects in the country. These fronts included, among others, (a) improvement of the public bidding process, by broadening the scope of the Differentiated Regime of Contracting (RDC) in order to also include works related to the Growth Acceleration Program (PAC), in addition to works for the 2014 FIFA World Cup and the 2016 Olympics; (b) launching the Logistics Investment Program (PIL), which includes projects throughout the country, in highways, railways, ports and airports, with estimated investments of more than R\$ 200 billion and special conditions of long-term financing; (c) improvement of the PPP Law, by enacting Law 12.766/12, to enable further use of this type of partnership in infrastructure projects; and (d) improvement of the Infrastructure Debenture Law, by enacting Law 12.715/12, clarifying the rules for long-term financing through this capital market security, in line with market expectations.

Following the paper produced by the Brazilian side, explaining the Government procurement policies for contracting infrastructure projects, the American side of the Infrastructure Committee also worked on a similar document that is available from March 13, 2013. This document provides an overview as well as detailed information on all forms of contracting public works and infrastructure investments in the U.S. Included are specific details about U.S. federal law, regulations, guidelines and policy, and, especially, procurement policies in the state of Colorado, using Colorado as an example of how these policies work in other U.S. states and municipalities. This document is expected to start a better informed discussion about the potential opportunities and the means by which Brazilian companies can invest in the United States.